



AGENDA MEMO

10/18/16 Agenda

TO: Honorable Mayor and City Council

FROM: Luanne Hanford, Director of Human Resources

SUBJECT: Consider & Act: Renewal of Employee Benefits Plan

BACKGROUND:

Health Plan

The City has a self-insured health plan for city employees and their dependents and currently contracts with CIGNA to administer the plan, process claims, and provide access to the CIGNA physician and facility network. The City offers the option of either an EPO (Exclusive Provider Organization) or a HDHP (High Deductible Health Plan (HDHP)). Under the self-insured plan, the City pays the first \$85,000 of every claim. If a claim exceeds that amount, the Individual Stop Loss (ISL) insurance pays the rest of the claim. If all claims combined exceed 125% of Expected Claims, the Aggregate Stop Loss (ASL) insurance pays all of the remaining claims for the rest of the claim year. Both ISL and ASL are also with CIGNA.

Flexible Spending and Health Savings Accounts

The City offers Flexible Spending Accounts (FSA), a pre-tax medical account, for employees who participate in the EPO plan and a Health Savings Account (HSA) for employees who participate in the HDHP. In 2016, the FSA is administered by Ameriflex and the Health Savings Accounts are administered by HSA Bank.

Life, AD&D, & LTD

The City provides Life Insurance, Accidental Death & Dismemberment, and Long Term Disability insurance for city employees. These coverages are currently provided by CIGNA.

Employee Assistance Program (EAP)

The City provides an Employee Assistance Program which provides free confidential counseling to employees and their families. This program is currently provided by Lifesynch (Humana).

A Request for Proposals was sent out for all coverages earlier this year by the City's benefits consultant, Holmes Murphy. After analyzing the proposals, Holmes Murphy recommended that the City keep the health plan with CIGNA for administrative costs of \$99,513, a 5.8% decrease from 2016. They also recommended that the City stay with CIGNA for Individual Stop Loss and Aggregate Stop Loss with an annual cost of \$494,856, a .3% increase from 2016.

Their recommendation for Basic Life and AD&D and Long Term Disability was to move from CIGNA to Minnesota Life for an annual cost of \$83,088, a 19% decrease from 2016. They recommended that the City move both the Flexible Spending and Health Savings Account administration to Navia for an annual cost of \$11,784, a 36% savings from 2016, and to keep the Employee Assistance Program with Lifesynch/Humana at an annual cost of \$5,500, a 2% decrease.

The Employee Benefits Committee met on Wednesday, October 12, 2016, to review the proposal summaries and recommendations. The committee voted to recommend approval of the Employee Benefits Plan renewal as recommended by Holmes Murphy and staff.

RECOMMENDATION:

Staff recommends approval of the proposed Employee Benefits Plan in the amount of \$694,791, a savings of approximately \$16,000 from 2016.